

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes of February 4, 1999

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: March 4, 1999

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the February 4, 1999, meeting of the Teachers' Retirement Board.

PROPOSED
MINUTES OF
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, FEBRUARY 4, 1999
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA

BOARD MEMBERS PRESENT

Emma Zink, Chairperson
Yvonne Bodle
George Fenimore
Gary Lynes
Marty Mathiesen
Lillian Raffel
Kathleen Connell, State Controller
Richard Whitmore, representing the Superintendent of Public Instruction, Delaine Eastin
Michael Picker, representing the State Treasurer, Philip Angelides
Timothy Gage, Director of Finance

OTHER MEMBERS PRESENT

Fred Buenrostro, representing the State Controller, Kathleen Connell
Ted White, representing the State Treasurer, Philip Angelides

STAFF PRESENT

James D. Mosman, Chief Executive Officer
Christopher Waddell, Chief Counsel
Jennifer DuCray-Morrill, Chief External Affairs Officer
Elleen Okada, Director, Investment Administration and External Relations
Michael Carter, DCEO, Client Benefits & Services
Laurence Martin, DCEO, Information and Financial Services
Peggy Plett, DCEO, Administration
Ed Derman, DCEO, External Affairs and Program Development
Ken Costa, Director, START Project
Mary Miles, Administrative Assistant

OTHERS PRESENT

Maureen Rice, SPL WorldGroup Consulting
Laura Metzger, Science Applications International Corporation
Loretta Toggenburger, UTLA
Charles C. Giarratana, CTA
Beverly Carlson, CTA
Lois Shive, CTA-Retired
Bill Collins, CTA
Dolores Sanchez, CFT
Ellen Logue, CTA-Retired
James Kelso, CRTA

Dorothy Moser, ULTA – Retired
George Wichman,
Elizabeth Mackenzie, CRTA

A quorum being present, Chairperson Zink called the February 4 meeting to order at 8:45 a.m.

II. **APPROVAL OF MINUTES OF JANUARY 14, 1999 MEETING**

MOTION duly made by Mr. Fenimore, seconded by Ms. Bodle, and carried to approve the Board Meeting Minutes of January 14, 1999.

III. **ANNOUNCEMENTS**

There were no announcements.

IV. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported that the Committee, in open session, heard a panel on External Equity. Under Alternative Investments, the Committee adopted a two-part performance benchmark and adopted a support, if amended, position on Senate Bill 105 dealing with the McBride Principals and Northern Ireland. Mr. Lynes also reported that the Committee heard informational items on Real Estate strategies, an update on the 1998/99 Investment Objectives, Credit Enhancement Program, Real Estate, Alternative Investments, and the report of the Chief Investment Officer.

Mr. Lynes reported that, in closed session, the Committee received a report on Real Estate – Pacific Northwest Properties, the Pipeline Report, and an update on litigation.

BY CONSENSUS, the report of the Investment Committee was accepted.

GOVERNANCE COMMITTEE: Mr. Whitmore, reported that the Committee directed staff to revise portions of Sections 100-500 of the Board's Policy Manual.

MOTION duly made by Mr. Whitmore, seconded by Dr. Connell, and carried to allow the Governance Committee to amend committee charters.

Mr. Whitmore also reported that the Committee would continue to review the Contract Review Process at its next meeting.

BY CONSENSUS, the report of the Governance Committee was accepted.

BUDGETS AND AUDITS COMMITTEE: Mr. Fenimore reported that the Committee received informational items on the 1998/99 Budget, Strategic Planning – School Districts Audit Process Re-engineering, Internal Audit Final Report on Alternative Investments, and Compliance Case Summaries.

BY CONSENSUS, the report of the Budgets and Audits Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Ms. Bodle reported that the Committee received reports on the Warrant Stub Message, the Level of Services Standards, and Customer Survey.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

V. **ESTABLISHMENT OF A HEALTH BENEFITS COMMITTEE**

(This item was noticed as an additional item not on posted agenda.)

MOTION duly made by Mr. Lynes, seconded by Mr. Gage, to consider an item that was not on the agenda. ROLL CALL: Mss. Raffel, Bodle, and Connell, and Messrs. Fenimore, Lynes, Mathiesen, Gage, Whitmore, and Picker voted yes. Motion carried.

MOTION duly made by Mr. Fenimore, seconded by Mr. Mathiesen to establish a Health Benefits Committee with the following guidelines. The Committee shall cooperate with staff and give staff their full support; the Committee will operate as part as of the full Board; no politicizing or exploiting it for personal purposes; Board will approve any public announcements; and that the Board will ratify all Committee actions. ROLL CALL: Mss. Raffel, Bodle, and Connell, and Messrs. Fenimore, Lynes, Mathiesen, Gage, Whitmore, and Picker voted yes. Motion carried.

Chairperson Zink appointed Dr. Connell as Committee Chair. Ms. Bodle requested to be on the Committee. Staff was directed to develop a charter for the Health Benefits Committee for approval of the Governance Committee and to schedule an organizational meeting of the Committee in March.

Ms. Logue, CTA, congratulated the Board on their action in setting up the Health Benefits Committee because the need for health care is very important. Ms. Mackenzie, CRTA, requested to act as liaison with the Committee and Ms. Toggenburger, UTLA, requested that UTLA be included in the study. Ms. DuCray-Morrill advised the Board that an advisory committee would be established with the various employer and employee organizations to provide input on this issue.

VI. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman advised the Board that staff will be under considerable pressure over the next year because of the need to divert a number of people away from normal production responsibilities to assist in testing for the START Project.

VII. **START PROJECT STATUS**

Mr. Costa, Ms. Metzger from Science Applications International Corporation, and Ms. Rice representing SPL WorldGroup, presented this item. Mr. Costa provided an update of the Project and stated that the design was complete, and staff had reviewed and approved most of the specifications. All projected costs associated with the Project will be identified and reported at the next meeting, which may include a request for additional funding.

VIII. UPDATE ON LEGISLATION

STATE: Mr. Derman presented the following measures for the Board's consideration.

AB 81 (Cunneen): Earnings Limitation Exemption for Math and Science Teachers. Staff recommended that the Board adopt a support position. Ms. Shive, CTA, requested that the Board support this bill due to the current shortage of teachers in these subject areas. Ms. Bodle asked staff to see if this bill could include Community College teachers.

MOTION duly made by Dr. Connell, seconded by Mr. Lynes, and carried to adopt a support position on Assembly Bill 81.

SB 39 (Baca): Rule of 85 Service Retirement Plan. Staff recommended that the Board adopt a support position. Mr. Gage stated that he will abstain on SB 39 until a better handle on the potential impact of the legislation on teacher retention and how that would effect the shortages of teachers. Mr. Collins, CTA, stated that he would be working with staff to streamline the bill.

MOTION duly made by Dr. Connell, seconded by Mr. Lynes, and carried to adopt a support position on Senate Bill 39. Mr. Gage abstained.

FEDERAL LEGISLATION: Ms. DuCray-Morrill reported that she attended a number of meetings while in Washington, D.C. and discussed the mandatory Social Security issue. She reported that the President's budget did not contain a proposal to mandate Social Security on public employees; however, since the President's projections only go through 2055, there is still a potential for mandatory coverage. Senator Moynihan has introduced a Social Security reform bill that includes mandatory coverage. Dr. Connell requested that staff prepare a comprehensive presentation on this issue for lobbyists, labor, and other organizations to use to pressure Congress and the President, and also to ask the Governor for help. Mr. Gage stated that the Department of Finance would be working with the Governor's Washington, D.C. staff to make sure this is a high profile issue. Ms. Carlson, CTA, expressed the continued need to organize the grassroots effort in contacting the California delegation and Ms. Toggenburger reported that UTLA's lobbyist has been actively working on this issue.

Discussion ensued regarding comments made by Alan Greenspan on the earnings of public pension plans versus those of private pension plans. Dr. Connell requested that an official response be prepared to Chairman Greenspan and the GAO by Tuesday to set the record straight on the performance of pension funds. Mr. Gage agreed that a letter should be drafted for educational purposes only. Mr. Picker requested a report back on the effort to raise the public and member's awareness of the strength of the pension fund. Staff was directed to prepare a letter speaking generally to the issue of performance, but not to make any statements regarding privatization of social security.

Dr. Connell left at 10:47 a.m.; Mr. Buenrostro represented the State Controller.

Ms. DuCray-Morrill reported that staff continues to work on strategies for receiving the second Elk Hills installment and expect to receive the first installment anytime.

IX. **TRAVEL**

Mr. Mosman presented this item. Mr. Mathiesen requested approval to attend the Area 9 meeting of CRTA in Southern California on March 10, 1999. Mr. Lynes requested approval to attend the Advisory Committee for Stanford Fiduciary College to be held in Palo Alto on February 24, 1999.

MOTION duly made by Mr. Gage, seconded by Mr. Fenimore, and carried to approve the request for travel as amended. Mr. Buenrostro voted no.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Fenimore, and carried to accept the Travel Summaries.

X. **CASH BALANCE PLAN UPDATE**

Ms. DuCray-Morrill reported that she expects there will be approximately 7,000 participants in the Plan by the end of the year. Ms. Sanchez, CFT, expressed her hope that legislation will alleviate the barriers for teachers wishing to participate in the Plan and that the Board will support such efforts.

XI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

Ms. Carlson, CTA, stated that, at a meeting of the CTA Retirement Committee and State Council, Ms. DuCray-Morrill was presented with a plaque by Lois Tinson, President of CTA. The plaque was to acknowledge her help to the Committee and for staff's exemplary work on providing research and resources on the mandatory Social Security issue.

XII. **MOVED TO CLOSED SESSION**

Chairperson Zink moved into closed session at 11 a.m.

XIII. **ADJOURNMENT**

At 11:05 a.m., Chairperson Zink returned to open session and reported that minutes were approved.

James D. Mosman, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

Emma Zink, Chairperson